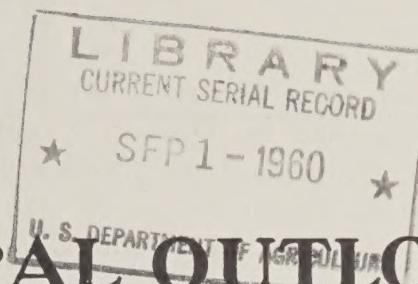


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The AGRICULTURAL OUTLOOK DIGEST

AGRICULTURAL MARKETING SERVICE, U.S.D.A.

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Prospects for farmers' prices and incomes have improved some in the last few months.

Farmers' prices the rest of 1960 probably average about the same as in the first quarter, and about the same as in the last 9 months of 1959. Five percent rise from mid-December to mid-March was mainly due to higher prices for hogs, cattle, broilers, and eggs. Index was 6% below year earlier in January...only 1½ below in March.

Net income realized by farm operators in 1960 may be only a little below 1959 total of \$11 billion, if weather during growing season is average. Income from nonfarm sources is likely to increase and the farm population to decline. Total net income per person of farm people from all sources may equal last year's average of \$960.

Main factors in the price outlook for the remainder of the year are: (1) A strengthening in domestic demand; (2) high exports; (3) prospects for reduced hog and egg production in the last half of 1960; (4) heavy total supply of farm products.

Consumer income in the first quarter rose 6% above a year earlier, as the Nation's economic growth was resumed after settlement of the steel strike. Employment in March was at a new high for the month...wage rates in manufacturing were 4% above a year earlier.

Purchasing power per person rose more than 2% the last year. Demand for food strengthened. Sales at retail food stores so far this year were 3% above the same period of 1959. Retail food prices were down slightly, and spread between farmer and consumer widened somewhat.

Uptrend in consumer income is likely to continue. Business intends to spend 14% more for plant and equipment than in 1959, according to recent surveys. Residential construction shows signs of improvement from the reduced levels of recent months. Expanded services needed for a growing population are bringing higher expenditures by State and local governments.

Situation points to a further rise in employment. With wage rates going up, demand for food and other consumer goods should be strong.

Volume of farm exports this fiscal year is at a record pace. Value for 1959-60 is expected to reach \$4½ billion, up \$800 million from last fiscal year. Cotton shipments are running more than double last year...probably will reach about 6½ million bales. Also up are wheat, rice, feed grains, and fats and oils.

Heavy total supply remains chief factor in the farm price outlook. Livestock output is likely to increase, though less than last year. Farmers report plans for nearly as large an acreage in crops as in 1959. Carryovers of some products continue burdensome.

Weather is a big question mark in the production outlook. Moisture conditions were better than last year as the crop season began, but excessive rain delayed spring planting in some areas. A normal season probably would result in crop output close to 1959 levels.

Biggest change from last year is prospect for reduced production of hogs and eggs in the second half of 1960. This spring's pig crop...to be marketed next fall...is being cut 10 to 12%. Number of replacement chickens being raised for laying flocks is sharply below last spring.

Cattle marketings are expected to be up only moderately from 1959. Favorable moisture conditions in west early this season may encourage ranchers to hold back stock. Full impact of 8 million head buildup in cattle numbers the past 2 years apparently will not be felt in 1960. But further increase in beef herds could bring severe marketing difficulties later.

Milk production may turn up this year. Decline in number of dairy cows has slowed greatly and output per cow is likely to continue upward. Broiler and turkey production also may show some gain.

Stocks of wheat and corn will be at record levels at the beginning of the 1960-61 crop season. Cotton stocks are being reduced again...from 8.9 million bales to about 8.1 million...but still are large. Stocks of soybeans, rice, and most types of tobacco also are being cut. Most of these stocks are under the price support program...CCC's investment in inventories and price support operations totaled \$9 billion on February 1, about the same as a year earlier.

Prices for hogs and eggs in the second half of 1960 are likely to be considerably higher than in same period of 1959. Cattle prices are likely to average only a little lower than last year. Support prices for dairy products, oats, barley and sorghum grain are the same as in 1959-60...those for wheat, corn and cotton are somewhat lower.

Outlook for production and prices indicates farm marketings in 1960 will bring about as many dollars as in 1959. Higher receipts are in prospect from hogs, poultry, eggs, and dairy products...some decrease is likely from crops. Payments to the farmers by the Government will show some gain, mostly from the Conservation Reserve. Acreage under this program has been expanded from 22 million in 1959 to 28 million this year. "Non-money" income--home produced food and the rental value of farm dwellings--may be down a little. Gross income from farming probably will about equal the 1959 figure.

Production expenses will rise further in 1960, but the increase is likely to be smallest in 5 years. Most of it will be in overhead items such as interest charges, farm real estate taxes and depreciation allowances. Though small, rise in production expenses is likely to be large enough to reduce net income slightly.